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Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday September 16, 1976 CI NIDC 76-218C



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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Thursday September 16, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

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[redacted] Arab League representative al-Khuli met with Sarkis and President Franjiyah yesterday and hinted later that he would have an important announcement, presumably about the League's proposal, at a press conference today in Beirut. The proposed meeting, which would concentrate primarily on trying to resolve differences between Syria and the Palestinians as a first step toward an overall political settlement, is unlikely to take place before this weekend and could be delayed until after Sarkis assumes office next Thursday.

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[redacted] Franjiyah has reshuffled the Lebanese cabinet in an effort to improve the position of conservative Christians before he turns the government over to Sarkis. Franjiyah did not dismiss Prime Minister Karami, as he planned to do, probably because of Syrian pressure to retain Karami. Franjiyah did strip the Muslim Prime Minister of his defense and finance portfolios.

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[redacted] Franjiyah awarded the defense post to his militant colleague Camille Shamun, who already holds the interior and foreign affairs portfolios, and named George Skaf, a Maronite Christian, to be minister of finance. Skaf is the only new cabinet member.

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[redacted] In a separate decree, Franjiyah appointed Shamun acting prime minister during Karami's absence in Cairo. It is unclear whether Franjiyah is trying to lay the groundwork for Shamun to declare himself acting president, as many Lebanese officials have predicted he would. The move was clearly intended to be a personal affront to the Prime Minister, with whom Franjiyah has long been at odds, and to make it difficult for Karami to attend future negotiations outside Lebanon.

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[redacted] Karami issued a statement in Cairo yesterday rejecting Franjiyah's latest attempt to reduce the Prime Minister's authority. Karami and other Muslim leaders had refused to recognize the President's appointment of Shamun as foreign minister in late June. They may temper their reaction, this time, however, in order to avoid providing Franjiyah with any pretext for disrupting the transfer of power to Sarkis.

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[redacted] Franjiyah's tampering with the cabinet so close to the end of his term will make it more difficult for Sarkis to deal with Shamun in the immediate post-inauguration period, when the current cabinet is expected to stay on. [redacted]

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SOUTH AFRICA - RHODESIA: Military Cooperation

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[redacted] //Despite recent indications that Pretoria has been seeking to reduce its military ties with Salisbury, Rhodesian air force personnel are continuing to receive training in South Africa. Last month South Africa withdrew from Rhodesia its helicopter pilots and crews that were supporting counter-insurgency operations against the Rhodesian black nationalists.//

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[redacted] //The air force programs, which began several years ago, include training Rhodesian pilots and crews on South African Mirage III fighters, C-160 transports, and Alouette helicopters. South Africa also lets Rhodesian instructors use South African facilities and jet trainers to conduct basic pilot training courses for Rhodesian personnel.//

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[redacted] The pace of the training programs appears to have increased over the past two years, according to a source of the US defense attache in Pretoria. Rhodesia now has at least 33 personnel training on Mirages and C-160 transports at an air base near Pretoria.

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[redacted] //The Rhodesian air force does not have these aircraft in its inventory, and we are unsure why Rhodesia is training pilots to fly them. Although the Smith regime may hope to acquire Mirages or C-160s--perhaps from South Africa--we think it unlikely that the Vorster government would provide these aircraft to Salisbury. We have no evidence that Rhodesia is negotiating with any other country for the purchase of these aircraft.// [redacted]

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USSR-JAPAN: Relations

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[redacted] Moscow's decision to lambaste Tokyo publicly both for its handling of the MIG-25 incident and for an unprecedented trip over the weekend by the Japanese foreign minister to the area of the Northern Territories is intended to put the onus on Tokyo for the deterioration in Soviet-Japanese relations. The Soviets obviously hope this tactic will elicit some conciliatory gesture from Japan, such as temporizing with respect to granting the US access to the MIG-25 or hastening the plane's return to the USSR.

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[redacted] Soviet tactics are unlikely to have the desired effect. Even before Moscow went public with its criticism of the Japanese, Tokyo had suggested that a more conciliatory Soviet tone--along with a satisfactory explanation by Moscow of the MIG-25 incident--was in order. A similar theme has been echoed by the Japanese press, and the publicity surrounding Moscow's latest broadcasts will almost certainly reinforce the media's reaction.

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[redacted] Meanwhile, Defense Agency Director General Sakata has justified Tokyo's thorough examination of the aircraft by citing the need to improve Japan's air defense capabilities. Such a line would seem to suggest a fairly lengthy exploitation effort.

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[redacted] The first public Soviet criticism of Japan over the MIG-25 incident was delivered in a Tass statement that was released Tuesday and appeared in *Pravda* yesterday. [redacted]

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[redacted] They also were very tough on the US, characterizing President Ford's initial remarks on asylum for Belenko as "instigatory" and again warning the Japanese against allowing any third party to interfere in Soviet-Japanese relations.

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[redacted] Yesterday Tass issued another statement attacking alleged Japanese plans to use a US aircraft to transport the MIG-25.

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[redacted] Moscow's criticism of the foreign minister's trip to the area of the Northern Territories also appeared first in a Tass comment Tuesday that was replayed in Wednesday's *Pravda*. Tass charged the foreign minister with seeking to worsen Soviet-Japanese relations by playing up non-existent problems and said flatly that Japan's claim to the Northern Territories was groundless and illegal.

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[redacted] The recent press play on the MIG-25 incident has tended to obscure this summer's exchanges between the Soviets, the Chinese, and the Japanese on the Northern Territories. In July, the Japanese, in effect, asked the Chinese to stop supporting Japanese claims to the Northern Territories because Japan regards the problem as a bilateral matter between Moscow and Tokyo. The foreign minister's trip may not have been made so much to antagonize the Soviets as for domestic political purposes and to demonstrate to the Chinese that Japan can handle its own problems.

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[redacted] Moscow clearly does not see it that way. After Japan announced the trip, the Soviets informed the Japanese that henceforth the group of Japanese who visit the Northern Territories annually to pay their respects to the graves of their ancestors must have passports and visas. Heretofore the Japanese have been admitted to the Northern Territories simply with their Japanese identity cards. The Japanese have refused to comply with the Soviet demands and canceled this year's visit.

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[redacted] Some Japanese are interpreting the Soviet seizure over the weekend of three Japanese fishing vessels in the waters near the Northern Territories as additional evidence of Soviet retaliation for the foreign minister's trip. The Soviets, however, seize about 50 Japanese fishing boats a year for violating Soviet territorial waters, and the seizures this past weekend may have been coincidental.

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CUBA-USSR: Movement of Barges

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[redacted] //Two 82-foot Soviet nuclear submarine support barges that were brought to Cienfuegos, Cuba, in September 1970 appear to have been moved to the naval shipyard in Havana. The barges had disappeared from their usual storage area

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at the Cavo Loco Naval Base in Cienfuegos earlier this year

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25X1 [redacted] //The two barges were originally carried to Cuba aboard an amphibious landing ship accompanying two Soviet guided missile ships and four support vessels that arrived in the Caribbean in early September 1970. The barges apparently were unloaded from the landing ship in Havana--Cienfuegos does not have adequate crane facilities--and towed to Cienfuegos later.//

25X1 [redacted] //The barges are believed to be used in the USSR for the support of nuclear submarines at operational bases and repair facilities. They have probably not been used in Cuba, however, to service visiting nuclear-powered submarines. More likely, they were brought to Cuba for contingency use in the event that a nuclear-powered submarine in the area needed emergency servicing.//

25X1 [redacted] //The return of the barges to Havana at this time may indicate that other contingency plans have been made, and there is no longer a requirement for the barges in Cuba. The last nuclear-powered submarine visit to Cuba ended in February 1973. [redacted]

USSR: Post-Mao China

25X1 [redacted] A leading Soviet Sinologist, Lev Delyusin, recently reiterated his long-held belief that there will be no basic change in the domestic or foreign policies of post-Mao China. In taking this line with a US official, he may have been acting under instructions aimed at discouraging any possible US moves to forestall a Sino-Soviet rapprochement.

25X1 [redacted] Delyusin said that he could not predict who would emerge as the new leader. He added that no one person would dominate China in the immediate future and that all will remain faithful to Mao's policies.

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[redacted] Delyusin said he did not think that prominent leftists such as Chiang Ching or Wang Hung-wen would play significant roles. He believed the most important element during the succession would be the military, and he made positive comments about Defense Minister Yeh Chien-ying. He admitted that the Soviets know little about Premier Hua Kuo-feng.

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[redacted] Several Soviet officials, including Delyusin, have suggested that it was a mistake for Moscow's letter of condolence to be sent from the party. //A Soviet embassy officer in Peking asked rhetorically "what good could that message do so soon? The Chinese had to reject it."//

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[redacted] Soviet ambassador to Peking Tolstikov is still on leave in Moscow and will reportedly return to China next Monday. [redacted]

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[redacted]

UK: Strike

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[redacted] //The threat of a damaging national strike by British seamen eased yesterday after an agreement was reached between the seamen and Trades Union Congress officials who have been mediating the dispute.//

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[redacted] //Details of the settlement proposals have not been released, but they reportedly involve permissible increases in fringe benefits, and not a wage boost in violation of the pay guidelines in the "social contract" between the Labor government and its union allies.//

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[redacted] //The seamen will present the proposals to the shipowners today. The employers have previously indicated they would go along with any compromise in accord with the pay policy.//

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[redacted] //The seamen's general secretary, James Slater, declared that the items to be discussed with the employers are unique to the shipping industry. If this is the case, other unions will not be encouraged to use a seamen's agreement as a precedent to make additional demands of their own that would upset the government's anti-inflation program. [redacted]

JAPAN: Cabinet Shuffle

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[redacted] Prime Minister Miki continued to implement the political truce reached last weekend with his opponents in the ruling Liberal Democratic Party by shuffling cabinet and party leadership positions yesterday and by convening the Diet today.

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[redacted] Deputy Prime Minister Fukuda and Finance Minister Ohira--Miki's leading rivals--retained their cabinet portfolios. Overall, the new slate of cabinet and party officers still reflects a balance of power which weighs against the Prime Minister.

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[redacted] The most important change was the removal of party Secretary General Nakasone. Nakasone is Miki's only major ally, and his replacement by Tsuneo Uchida, a member of Ohira's faction, gives Miki's rivals an added lever in the leadership struggle. The anti-Miki camp will undoubtedly use its control of this key party job to circumscribe further Miki's freedom of action.

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[redacted] Most of the important cabinet ministers have been retained. An exception is Kiichi Miyazawa, who has been replaced by Zentaro Kosaka as foreign minister. Kosaka, a former foreign minister and senior party official, is a foreign affairs expert and has close ties to the Japanese business elite.

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[redacted] Miyazawa had recently irritated the Chinese, and presumably Miki as well, with his public criticism and candid comments on the lack of progress in Sino-Japanese relations. The Prime Minister may well have wanted to replace him with a man like Kosaka who has long been an ardent supporter of better ties with Peking.

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[redacted] Otherwise, the complexion of the cabinet generally reflects the party's desire to install officials untainted by the Lockheed affair; only two members of the Tanaka faction--the party's largest--are in the new line-up. With the question of Miki's own tenure in office to be resolved next month, the new cabinet may well be short lived and is unlikely to effect any significant shifts in Tokyo's foreign or domestic policies. [redacted]

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PERU: Loan

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[redacted] After five months of negotiations with private Western banks, Peru is only now approaching final agreement on a \$350 million balance-of-payments loan package. Finance Minister Barua had announced publicly late last month that the loan was assured. The loan still could be upset if compensation for the formerly US-owned Marcona Mining Company is not agreed upon soon.

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[redacted] Even if a Marcona settlement is reached, disbursement from the US portion of the package--a proposed \$240 million loan by a group of US banks--will depend on receipt of loan agreements for not less than \$100 million from non-US banks. //Negotiations with Canadian, Japanese, and European banks are still in the preliminary stage, making initial disbursement unlikely before November.//

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[redacted] //Peru needs \$350 million to avoid major debt rescheduling and further cuts in imports this year. Shortages of imported goods already have caused economic stagnation and have contributed to a doubling of the inflation rate. [redacted]

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[REDACTED] The Peruvians have repeatedly postponed a final Marcona settlement, citing among other things lack of cash. The funds for the settlement were to have come out of the balance-of-payments loan. Talks began yesterday and an agreement may be reached within the next few days. Compensation is not likely to be paid until at least November.

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[REDACTED] //Bankers are also disturbed by Peru's prospective purchase of Soviet fighter bombers. The proposed purchase, which was leaked to the press last month, has led some western financial experts to question the government's commitment to belt-tightening. The Peruvians, embarrassed by disclosure of the deal, now claim to be seeking international bids for replacement aircraft. This is probably a ploy to buy time to conclude the loan negotiations.// [REDACTED]

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PANAMA: Student Rioting

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[REDACTED] //The Torrijos regime is reportedly planning to turn continuing domestic protests over price increases against the US Canal Zone.//

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[REDACTED] Violent, student-incited protests and looting occurred last Friday and again on Monday. Students, workers, and other groups mustered several thousand people for peaceful demonstrations Tuesday, but violence erupted again yesterday. The National Guard, which had originally attempted only to protect property and contain the demonstrations, yesterday was forced to call in riot detachments to halt rampaging demonstrators. The government has banned further demonstrations, and temporarily closed all high schools.

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[REDACTED] Torrijos is worried that suppression of the students by the Guard could provide antigovernment radicals with martyrs, although thus far there have been no confirmed deaths.

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[redacted] Even if Torrijos follows through on efforts to make the US a scapegoat, the National Guard will probably be given orders not to allow a serious incursion into the Canal Zone.

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[redacted] Torrijos is apparently attempting to contain the situation in other ways. Two organizations that generally support the government--the major student group and the Communist-dominated labor federation--have called for price rollbacks. The government-controlled press gave wide play to their demands.

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[redacted] This official publicity is an indication that the government is purposefully allowing groups to vent their frustrations and perhaps is laying the groundwork for a price cut decree.

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